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ABSTRACT

This digest is designed to provide campus leaders with an up-to-date, "bird's eye" view of key issues affecting state colleges and universities. The American Association of State Colleges and Universities conducted is annual State Issues Survey of the Council of State Representatives in 2002 and received 44 responses from 61 college and university presidents and chancellors. Findings show colleges and universities struggling with fewer resources and rising demands. Colleges and universities nationwide are seeing enrollments grow, and policymakers are trying to meet states' needs for economic development and workforce preparation. State budgets are expected to fall even further next year, and more than half of the respondents noted that the level of state funding for public colleges and universities in their state was either lower or significantly lower in 2002-2003. However, one quarter of states indicated that their higher education budgets increased, and 9.3% of respondents said that their state funding grew more than 5%. Respondents overall were largely pessimistic, however, about the condition of budgets for higher education in the next few years. (Contains 10 figures and 18 endnotes.) (SLD)

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2003 State Issues Digest

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March 2003

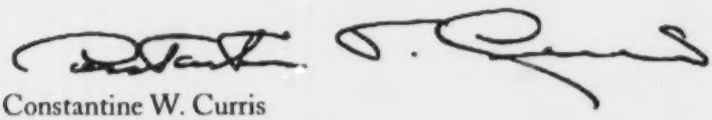
From the President

AASCU Colleagues and Friends:

I am pleased to present the 2003 edition of *AASCU's State Issues Digest*. The current year finds member campuses facing tremendous challenges related to shrinking budgets, climbing enrollments, and rising student and policymaker expectations. Moreover, major policy developments affecting the nation's teachers and schools will also test the creativity and flexibility of AASCU institutions. Finally, security concerns, both at home and abroad, will increasingly occupy our leaders and campus communities.

The digest is designed to provide campus leaders with an up-to-date, "bird's eye" view of key issues affecting state colleges and universities. As a year filled with change, difficult choices, and opportunities progresses, AASCU will endeavor to keep members informed of important developments at the state and federal levels. As always, your feedback and comments are encouraged.

Sincerely,



Constantine W. Curris
President

2002 State Issues Survey

AASCU conducted its annual State Issues Survey of the Council of State Representatives during October and November of 2002 and received 44 responses from 61 college and university presidents and chancellors. Following are selected points of interest from the 2002 findings.

The results of the survey depict state colleges and universities struggling with fewer resources and rising demands. Throughout the nation, colleges and universities are seeing their enrollment grow, while policymakers look to meet their states' burgeoning needs for economic development and workforce preparation. To deal with these circumstances, transformations are underway at many levels of the public higher education system. Colleges are already seeing changes on many fronts, including administration, tuition policies and teacher preparation policies. With little prospect of near-term fiscal relief, the pace and scope of change are likely to increase.

Fiscal Issues

State budgets—and consequently higher education budgets—have continued to decline and are expected to fall even further next year. While policymakers aspire to further their agendas, including expanding teacher preparation and economic development programs, institutions are being forced to cut costs throughout their campuses.

More than half (60.5 percent) of respondents noted that the level of state funding for public colleges and universities in their state was either "lower" or "significantly lower" in 2002-2003 compared to the previous year. Specifically, almost one-third (32.6 percent) said that their state's higher education budget fell more than 5 percent over the past year. Not all states saw their higher education budgets decline, as just over one-quarter (27.9 percent) of respondents indicated that their higher education budgets increased, with 9.3 percent seeing their funding grow more than 5 percent [see Figure 1].*

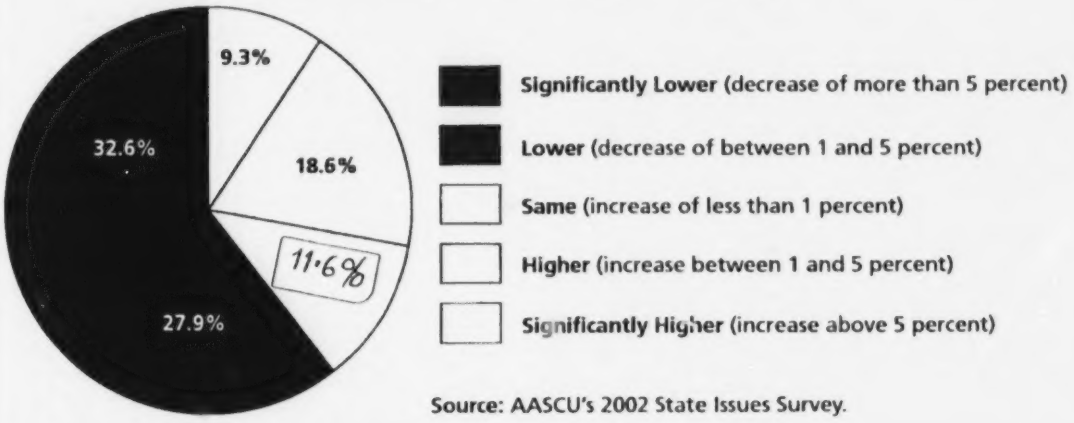
Those dealing with lower budgets are employing several strategies to align their institution's services with available resources. Those include administrative cuts such as reductions in travel and professional development (88.5 percent), staff and faculty cuts (84.6 percent and 61.5 percent, respectively), suspension and deferral of major projects and purchases (65.4 percent) and consolidation or reduction of academic programs (34.6 percent).

Respondents were largely pessimistic in their responses about the condition of their state's and public colleges and universities' budgets over the next few years [see Figure 2]. Asked to predict the status of their state's budget for FY04, 81.4 percent of the respondents expect it to be worse than FY03, up from 54.6 percent a year ago. Expectations for their state's higher education budget were a bit less severe, with 71.0

*Survey was administered prior to mid-year budget reductions in a number of states. Accordingly, percentage of respondents noting level/higher funding for 2002-2003 would now be lower.

Figure 1

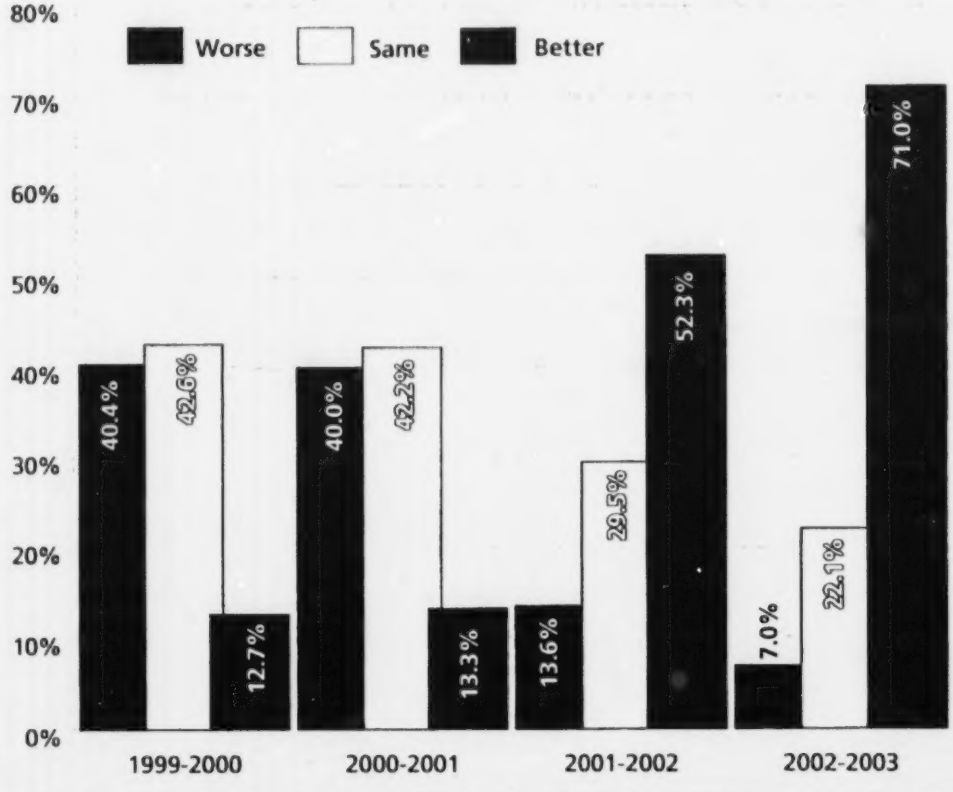
Change in Level of State Funding for Public Colleges and Universities, 2001-2002 to 2002-2003


9.3%
18.6%
11.6%
27.9%
32.6%
Significantly Lower (decrease of more than 5 percent)
Lower (decrease of between 1 and 5 percent)
Same (increase of less than 1 percent)
Higher (increase between 1 and 5 percent)
Significantly Higher (increase above 5 percent)

Source: AASCU's 2002 State Issues Survey.

Figure 2

Assessment of State Higher Education Budget, Current Year Compared with Following Year



Note: Totals may not sum up to 100 due to rounding and some respondents replying "unsure."

Source: AASCU's 2002 State Issues Survey.

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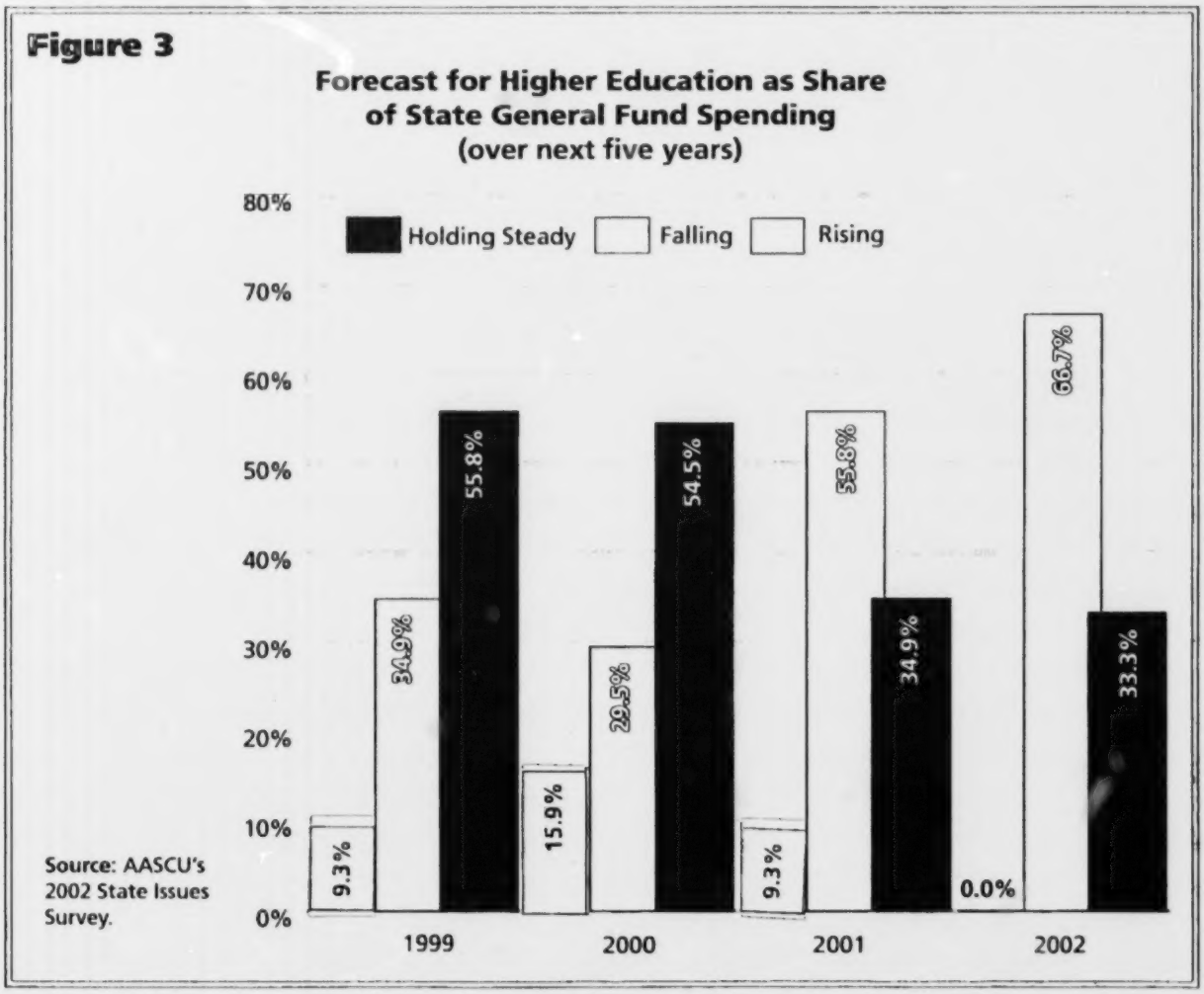
percent noting the same response, up from 52.3 percent in 2001.

Over the next five years, 66.7 percent of respondents reported that they expect to see higher education's share of their state's general fund budget fall, compared with 55.8 percent in 2001. By contrast, not one respondent expects higher education's share to rise, compared to 9.3 percent last year [see Figure 3].

Sagging budgets have brought a rise in tuition rates and renewed interest in tuition policy. More than three-quarters (76.3 percent) of respondents remarked that institutions or systems in their state reviewed or revised their tuition policies in 2002. Of those that did not expect to deliberate about this issue in 2002, 44.4 percent are expected to do so this year.

Policymakers continue to focus their efforts on rising enrollment, financial aid and their state's labor force as well. When asked to identify policymakers' non-base budget spending priorities for their state's public colleges and universities, capital projects were mentioned by the largest number of respondents (34.3 percent). More than one-quarter (28.6 percent) mentioned scholarships

Figure 3



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and workforce preparation (especially teacher and nurse preparation) and 14.3 percent identified faculty salaries.

Governance/ Management

Higher education's primary relationships remained stable over the past year as most respondents reported few changes to their generally positive linkages with governing boards, policymakers and two-year institutions.

Almost one-third (31.0 percent) of respondents classified the relationship between leaders of their state's public four-year institutions and higher education governing/coordinating boards as "excellent" and an additional 52.4 percent characterized the relationship as "good." Most (62.8 percent) described the relationship as staying the same over the past two to three years, while over one-quarter (27.9 percent) considered it to have "improved" or "significantly improved" over that time.

Similarly, the vast majority of respondents characterized the relationship between the leadership of public four-year institutions and policymakers in their state as positive. Almost 70 percent described the relationship between colleges and state leaders as "good" and 13.6 percent described it as "excellent." More than one-third (38.6 percent) of presidents and chancellors responding believe that this relationship improved over the past few years, while 47.7 percent think it is unchanged and 13.6 percent believe it has worsened.

The rapport between public two-year and four-year institutions in most states was also cast in a largely positive light, with a majority of college presidents and chancellors depicting the relationship as either "excellent" (16.3 percent) or "good" (62.8 percent). An additional 18.6 percent of the respondents indicated that the relationship was "fair" and 2.3 percent indicated that it was "poor."

Articulation issues were the most common policy concern between two- and four-year public colleges and universities, with 74.4 percent of respondents noting their importance. Other issues include: community college baccalaureates (20.9 percent), organizational structure/partnerships (11.4 percent) and funding (6.8 percent).

Most college leaders expect to see little, if any change in the governance and management of their state's higher education institutions in the immediate future, with just over one-third (37.2 percent) of respondents indicating that there was a "high" or "very high" likelihood of policymakers in their state taking up those issues at the institutional or system levels this year.

Non-Budget Priorities

While budgets are foremost in the minds of most policymakers, other issues continue to surface in the nation's statehouses. When asked which non-budget issues will be given priority by their state's higher education governing and coordinating boards this year, 26.2 percent of respondents identified governance. Nineteen percent of respondents also mentioned curriculum and access as a major concern for governing and coordinating boards.

State legislatures are expected to focus on workforce requirements, including teacher and nursing shortages, with one-quarter of respondents expecting this to be a top non-budget priority. Access is also a large concern, with 20.9 percent of presidents and chancellors anticipating it to be an issue for lawmakers. Other priorities include economic development (16.3 percent), governance and accountability (both 11.6 percent).

Governors are expected to take up the issue of economic development in about a third of the states, with 31.7 percent of respondents listing it as a priority. Other issues mentioned were access (14.6 percent), K-16 linkages and workforce training, including teacher preparation (both 12.2 percent).

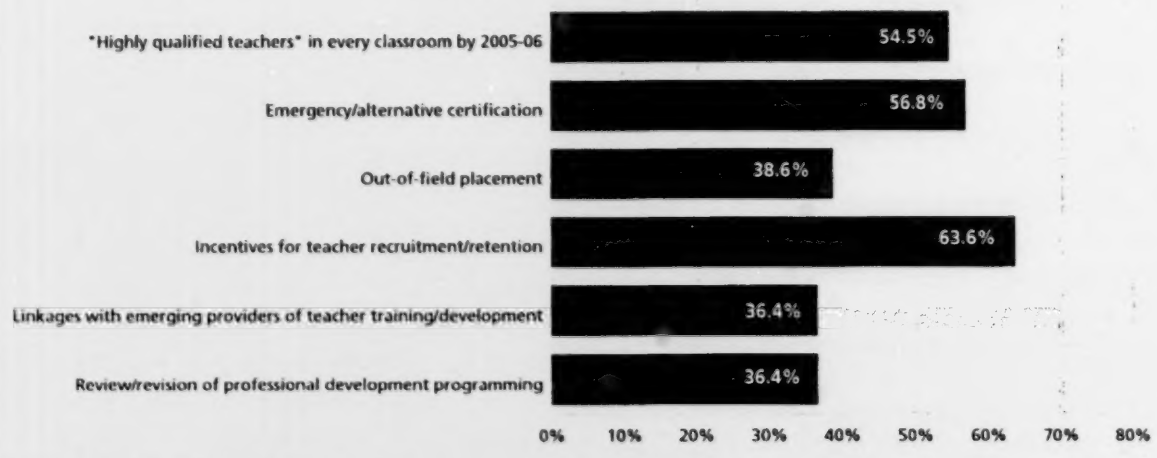
Teacher Preparation/ Recruitment

With teacher education high on the agenda for most legislators and higher education officials, many states are expected to deal with several teacher preparation and recruitment issues. On the preparation front, more than one-third (36.4 percent) of respondents indicated that their state would likely discuss linkages with emerging providers of teacher training, including community colleges and private vendors. A similar number of presidents and chancellors believe that their state will see a review or revision of professional development programming [see Figure 4].

Nearly two-thirds of the survey respondents (63.3 percent) indicated that their state would likely discuss financial and other incentives for recruiting

Figure 4

Teacher Preparation/Development Issues Likely to be Discussed/Acted Upon at the State Level, 2003



Source: AASCU's 2002 State Issues Survey.

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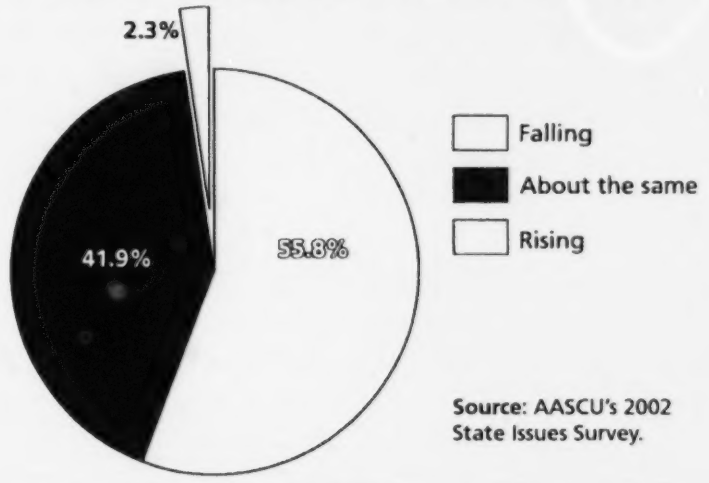
and retaining teachers in 2003. Additionally, the use of emergency and alternative certification is rising, as indicated by 56.8 percent of respondents who believe it will be discussed or acted upon by legislators this year. Moreover, 38.6 percent expect significant discussion or action on the issue of out-of-field placement for teachers.

Figure 5

Forecast for Presence of For-Profit Institutions in the State, Next Five Years



Source: AASCU's 2002 State Issues Survey.

Alternative/ Non-Traditional Providers

As the number of college students continues to rise and shortages persist in fields such as teaching and nursing, non-traditional providers (such as for-profit and distance education institutions) may become more prevalent.

A majority of respondents (55.8 percent) expect the presence of for-profit institutions to rise in their state over the next five years [see Figure 5]. Additionally, over 70 percent indicated that they expect a significant level of discussion or action on the state level regarding distance education programs. Specifically, those surveyed anticipate lawmakers to tackle the issues of infrastructure (54.5 percent), cost and pricing of courses and programs (38.6 percent), copyright and intellectual property (36.4 percent), and state regulation of for-profit providers (15.9 percent).

As public higher education leaders expect more resource challenges next year, AASCU institutions will need to find new ways to meet the growing needs of their students and communities. The strong relationships between colleges and policymakers and the proliferation of non-traditional providers, including distance education programs, for-profit institutions and two-year institutions, may offer opportunities—and challenges—for increasing postsecondary education access in the coming years.

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Financing State Colleges and Universities: The Current Picture and the Big Picture

The fiscal crisis in the states, once a "B" section story in many newspapers, has made its way to the front page. With budget gaps now well above $100 billion over two years, most state policymakers find themselves in uncharted territory, and with few appealing options for stemming the flow of red ink. For many states, the year ahead will not be a question of tax increases or severe spending cuts—it will be a matter of both.

Higher education, as the "balance wheel" of state budgets, is increasingly feeling the pain of the prolonged slump. As mid-year spending cuts mount and enrollments climb, tuition increases are also on the rise, with double-digit hikes quickly becoming the rule, rather than the exception. By the end of Fiscal Year 2003 (FY03), state funding for higher education will likely be at or below Fiscal Year 2002 (FY02) levels, the first year-to-year decline in more than a decade. As the economy continues to sputter and revenues continue to sag, it has become a case of thinking "one day at a time" on campuses and in statehouses.

While the focus for state and campus leaders remains on the immediate term, questions of long-term trends in state financing of higher education loom in the background. The current downturn has exposed crucial weaknesses in states' revenue structures, as well as the brewing crisis in health care finance, both of which will only reduce funding for state colleges and universities. Additionally, a number of signs in the states already point to a re-conceptualization of the relationship between states and higher education institutions. As a result, campus leaders and policymakers must be prepared to consider funding and accountability structures that do not assume a return to "business as usual" when the current fiscal storm passes.

The Current Picture

A halting economic recovery, made even more halting by jitters over armed conflict overseas, continues to depress states' revenues and exacerbate their budget gaps. While the economy continues to plod along, legislators and governors are declaring their budgets "under siege" and are terming the current slump the worst since World War II. In many states, Fiscal Year 2004 (FY04) will usher in the third consecutive year of lower than expected revenues and rising spending demands, exhausting reserves and one-time fixes.

Given these factors, as well as the slim prospect of substantial aid from Washington, states will be implementing serious—if not draconian—spending cuts and tax increases for the coming fiscal year. The spending cuts will eliminate entire state agencies and slash historically protected areas of the budget, while the proposed

tax increases are significant enough to warrant concern over their potential to offset the Bush Administration's attempts at economic stimulus.

The effect of this on state colleges and universities is unmistakable—and serious. Faced with reduced state funding and rising (in some cases record) enrollments, institutions are following the lead of the states, implementing a combination of spending cuts and revenue (tuition/fee) increases to make ends meet. Campuses and statehouses alike are anxiously eyeing the economic horizon, looking for signs of relief. That relief may be very slow in coming, with the National Governors Association recently warning that the current fiscal mess will take at least three to five years to remedy.

The Economy

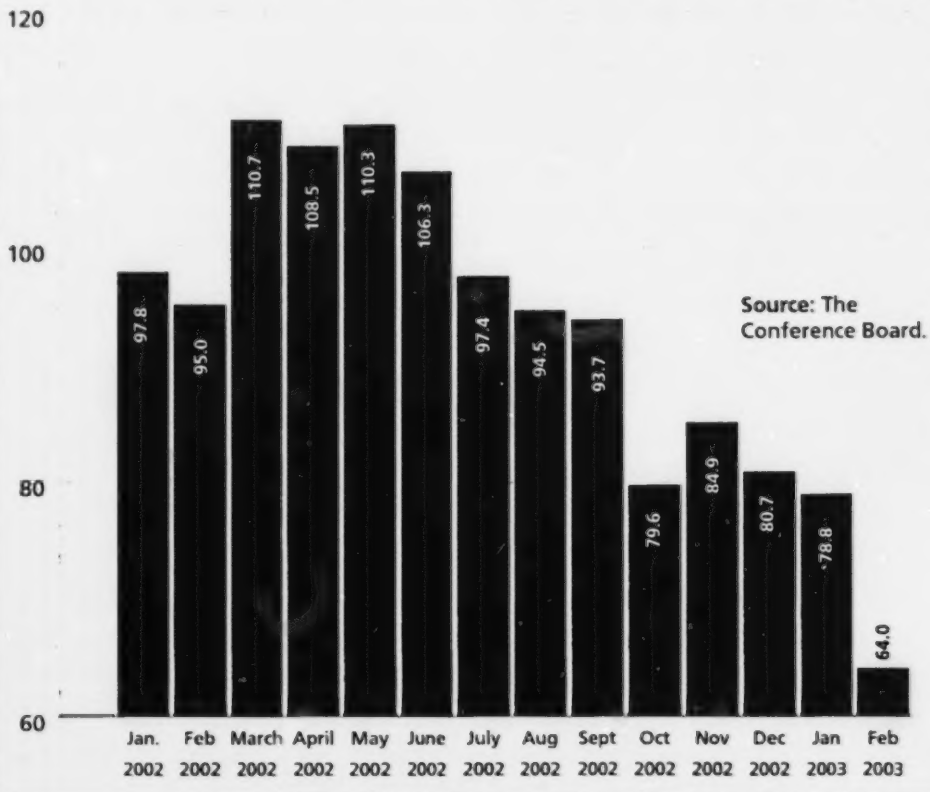
The economic recovery, now drifting into its second year, continues a "two steps forward, one step back" pattern that has confounded forecasters and dismayed state revenue and budget offices. The Gross Domestic Product (GDP) increased at an annual rate of 1.4 percent for the 4th Quarter of 2002, compared with 4 percent growth in the 3rd Quarter. For the year, GDP rose 2.4 percent, compared with 0.3 percent for 2001 and 3.8 percent for 2000.[1] The employment situation is also contributing to the slow improvement of the economy, as the unemployment rate continues to hover just under 6 percent, changing less than half a percentage point in more than a year.[2] As a result, consumer confidence continues to sag, falling to its lowest point in more than 9 years in February.[3] [See Figure 6]

State Revenues

The hesitant recovery also continues to hamper state tax

Figure 6

Consumer Confidence, January 2002–February 2003



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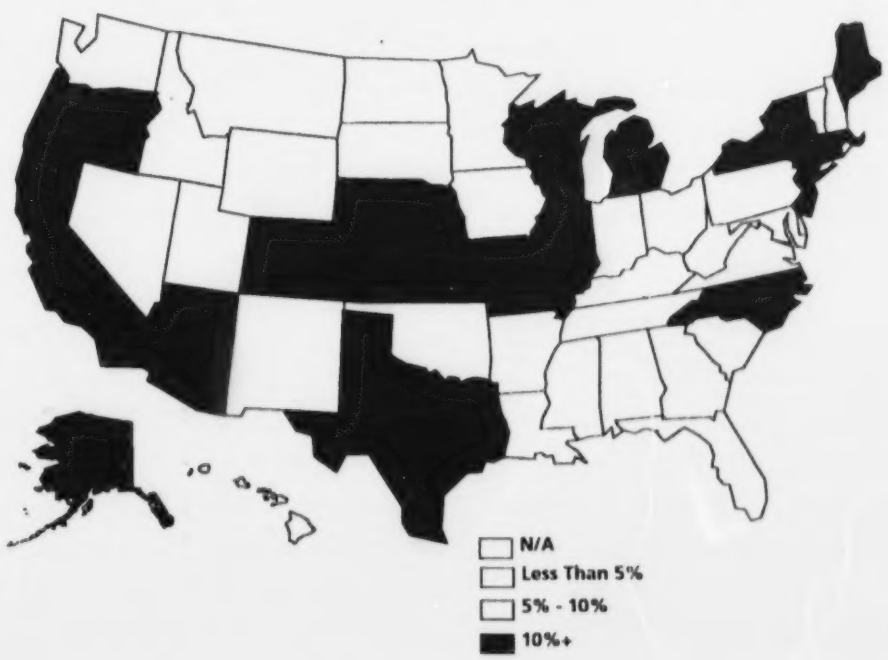
collections. For the 3rd Quarter of 2002, total state revenues rose 2.5 percent after four consecutive quarters of decline. After accounting for legislated changes (i.e. recent hikes) and inflation, the quarterly gain becomes a loss. As in previous quarters, personal income tax collections continue to slump, but are shored up by stronger sales tax collections.[4] For the remainder of FY03, most states are concerned or pessimistic about their ability to meet revenue estimates, and are similarly doubtful about their revenue prospects for FY04.[5]

State Budget Gaps

A combination of sub-par revenues and spending overruns, most notably in Medicaid, are creating new budget gaps for FY03 and are digging a deeper hole for FY04. According to a recent fiscal update by the National Conference of State Legislatures (NCSL), nearly three-quarters of the states (36) report a remaining shortfall for FY03 totaling $27.5 billion. The situation is shaping up to be even more serious in FY04, as the states that are able to provide a shortfall estimate project a cumulative gap of $68.5 billion—a number bound to top $80 billion as more states complete their estimates. In more than one-third of the states (18), the estimated FY04 shortfall

Figure 7

Projected FY04 Budget Shortfalls
(as a percentage of expenditures)



Source: National Conference of State Legislatures (NCSL).

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is equal to or greater than 10 percent of the state's general fund spending.[6] [See Figure 7]

Remedies for Budget Gaps

As the fiscal crisis drags on, states are increasingly exhausting their "easy" budget fixes—tapping reserves, sweeping state funds, changing accounting measures—leaving hard choices about spending cuts and tax/fee increases. States have slashed spending and increased revenues to fill FY03 gaps, with across-the-board spending reductions in 29 states and net tax/fee increases totaling nearly $8.3 billion (focused primarily on tobacco and other "sin" taxes). Spending and taxing decisions for FY04 are still being made, but governors' budgets propose spending cuts approaching or topping 10 percent and reaching more deeply into the traditional "sacred cows," such as K-12 education or corrections.[7] On the revenue side, plans still focus on "sin taxes," gaming proceeds, and user fees, but governors in a handful of states (e.g. Arkansas, California, Idaho, Kentucky, and Nevada) are eyeing broad-based measures, which will generate significant legislative debate.[8]

Federal Aid Prospects

In their struggle to move budgets closer to balance, the states are looking to the federal government for aid, especially in areas of joint responsibility (e.g. Medicaid). While several proposals for direct aid to states have emerged in the context of a federal economic stimulus package, concern over the cost of military action in Iraq and a ballooning federal deficit make it likely that states will get an abundance of sympathy but little financial help from Washington, D.C.

Impact on Higher Education

The current budget deliberations and mid-course corrections have underscored the fiscal vulnerability of public colleges and universities. The NCSL update shows higher education (tied with Medicaid) to be the most popular area for targeted FY03 budget cuts.[9] At a time of climbing enrollment (especially among students from historically disadvantaged backgrounds) and lagging funding for student financial aid, preserving college access will present an unprecedented challenge for campus leaders and state policymakers.

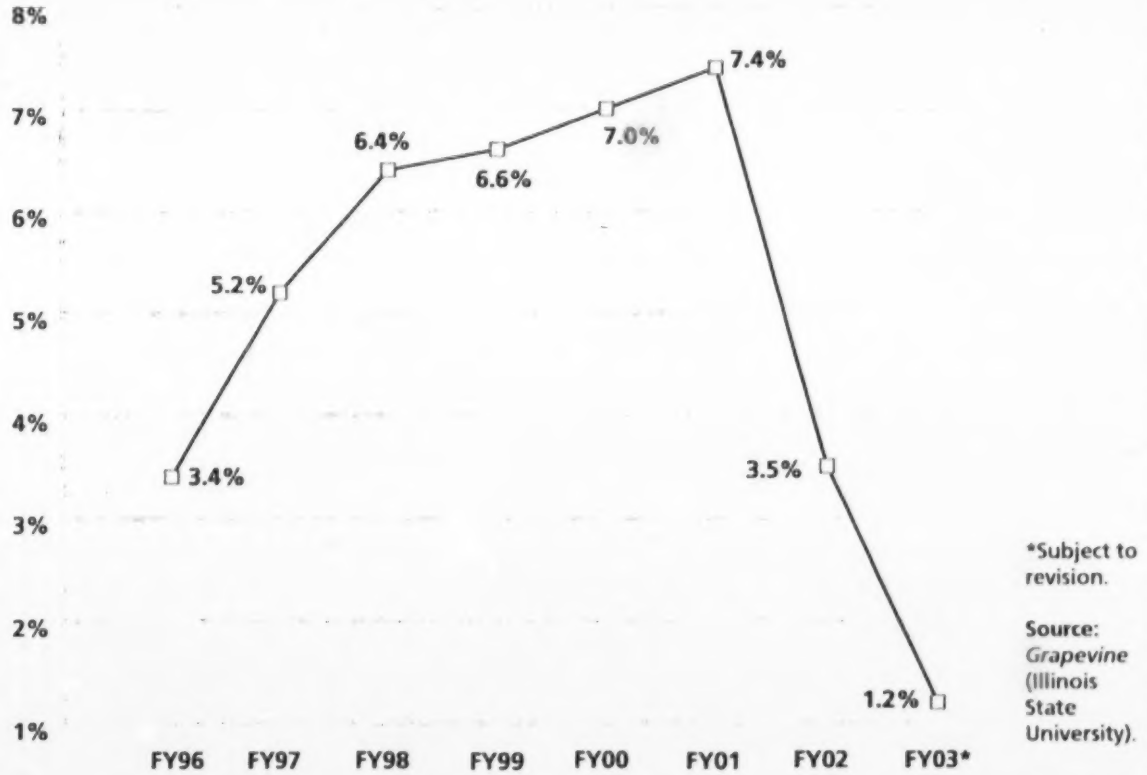
State appropriations for higher education, which have slowed considerably over the past five fiscal years, are hovering close to their first year-to-year decline since FY93. [See Figure 8] Additionally, the number of states posting a year-to-year decline has jumped from two in FY98 to 13 in FY03 (to date).[10] [See Figure 9] The first year-to-year dip may actually arrive in FY03, once all of the mid-year cuts are tallied. If FY03 appropriations manage to remain above FY02 levels, it is a certainty that FY04 will bring a year-to-year drop in higher education funding, based on budget proposals currently circulating in statehouses, including:

In his FY04 budget proposal, California Gov. Davis recommends funding for enrollment growth at UC and CSU, but that support would be more than offset by a general fund reduction of nearly $700 million.

Florida Gov. Bush's FY04 spending plan calls for a general fund reduction of $111.5 million for the state's colleges and universities, as well as a reallocation of capital funds to help meet a K-12 class size reduction mandate.

Figure 8

Change in State Appropriations for Higher Education, FY96–FY03



For the FY04-05 biennium, Nebraska Gov. Johanns is proposing a 10 percent reduction for the University of Nebraska and the Nebraska State Colleges in each fiscal year.

New Jersey Gov. McGreevey is recommending a general fund cut of more than $100 million for the state's colleges and universities in FY04.

Under New York Gov. Pataki's FY04 spending plan, the State University of New York would experience a general fund reduction of $183.5 million, while the City University of New York would absorb a cut of $81.7 million.

In his State of the State address, Texas Gov. Perry outlined cuts for higher education that would total approximately $900 million for the upcoming biennium.

The FY04-05 budget proposed by Washington Gov. Locke would trim $180 million from higher education over the course of the biennium.

Wisconsin Gov. Doyle's FY04-05 budget seeks to pare $250 million from the University of Wisconsin System.

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The severity of the proposed funding reductions means that cutbacks and tuition increases are once again on the table at state colleges and universities. To hold the line on spending, AASCU campuses are freezing hiring and travel, canceling or delaying major purchases, consolidating offices and programs, and even putting senior administrators in the classroom.

On the tuition side, the average public four-year increase of 9.6 percent ($356) for 2002-2003 will likely be topped for 2003-2004, based on proposals already announced. While policymakers in some states have called for tuition caps in light of recent trends, others are prepared to allow institutions and systems more latitude in raising their own revenue to compensate for funding shortfalls.

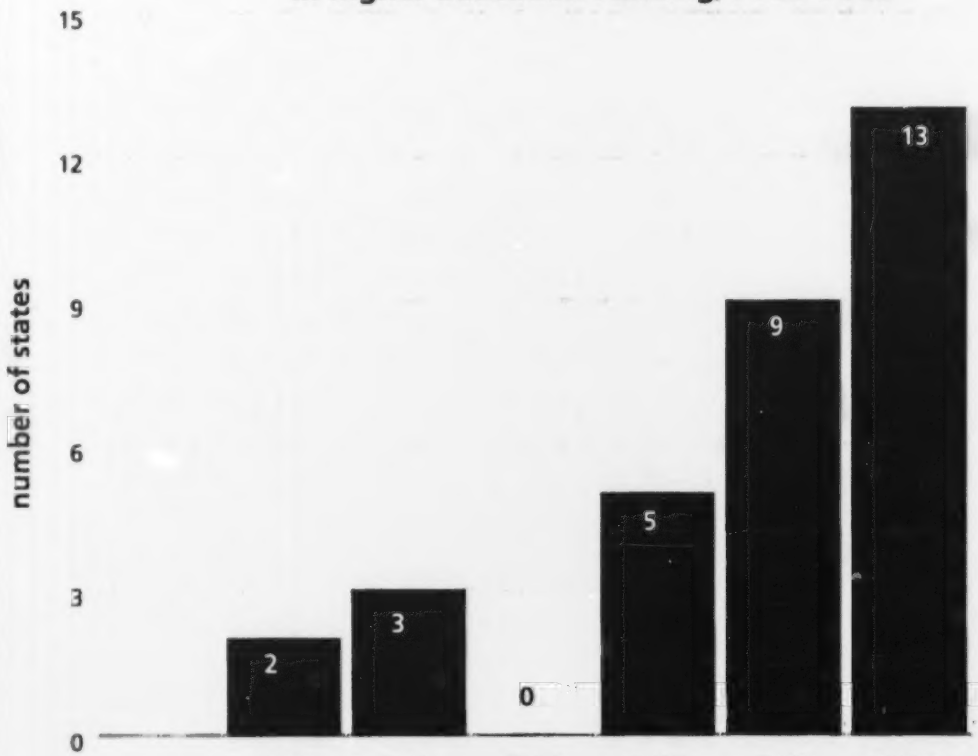
Arizona's Board of Regents decided in March to raise resident undergraduate tuition by $1,000 (approximately 40 percent) for the 2003-2004 academic year.

The Connecticut State University System trustees have approved a 14.5 percent ($335) tuition increase for 2003-2004.

Florida Gov. Bush's FY04 budget plan calls for a 7.5 percent base increase in resident

Figure 9

States Posting Year-to-Year Declines in Higher Education Funding, FY98–FY03



Source: *Grapevine* (Illinois State University).

*To date.

undergraduate tuition at state universities, plus institutional discretion to raise rates an additional 5 percent.

In light of anti-tuition hike rhetoric by Illinois Gov. Blagojevich during his campaign, lawmakers are considering a measure that would bar tuition increases greater than 5 percent or the inflation rate, whichever is less.

In New York, the State University of New York trustees have approved an increase of up to $1,400 (42 percent) for 2003-2004, while the governor suggested an increase of $1,200 in his FY04 budget.

In his FY04 budget plan, Ohio Gov. Taft calls for a 6 percent cap on tuition increases at state colleges and universities, except for The Ohio State University (which would operate under a 9 percent cap).

A bill that would allow Oklahoma's colleges and universities to increase tuition to the average of Big 12 institutions has passed the Legislature, and the governor has indicated that he will sign the measure.

Texas Gov. Perry, in his State of the State address, called on the Legislature to deregulate tuition-setting for state colleges and universities.

Wisconsin Gov. Doyle's FY04-05 budget plan calls for a limit of $350 per semester on tuition increases at doctoral campuses in the University of Wisconsin System, and $250 per semester at all other system campuses.

The Big Picture

For many state policymakers and campus leaders, conquering short-term budget gaps offers scant comfort, as significant structural challenges lie ahead. The recession and its accompanying fiscal slide have made painfully clear what the prosperity of the 1990s obscured—that state tax systems are becoming increasingly obsolete, that health care costs have emerged as one of the primary threats to states' financial stability, and that public higher education remains on the road to privatization because of these trends. These are sobering realities for nearly every state, but especially for the states most rapidly jolted from surpluses into deficits.

States, for their part, must come to terms with the fact that their revenue systems are geared largely toward an economy that no longer exists, thus creating a widening gap between the service demands of a growing population and the resources available to meet those demands. At the same time, the specter of skyrocketing health care spending, combined with an aging population, threatens to swamp state and federal budgets. Without significant changes in revenue structures and priorities, many states will find their ability to fund even basic services increasingly limited.

Higher education, as the largest single discretionary item in states' budgets, has a great deal at stake in states' consideration of "the big picture." For more than two decades, funding responsibility for public colleges and universities has shifted decidedly away from states and toward students (via tuition) and other sources. This reallocation has continued to the point that state appropriations now represent less than one quarter of operating revenues at a growing number of public universities. As a result, calls to deregulate campuses and/or rethink governance arrangements

is on the rise, signaling that something other than "business as usual" will be on the agenda for higher education policy in a number of states when the present crisis eases.

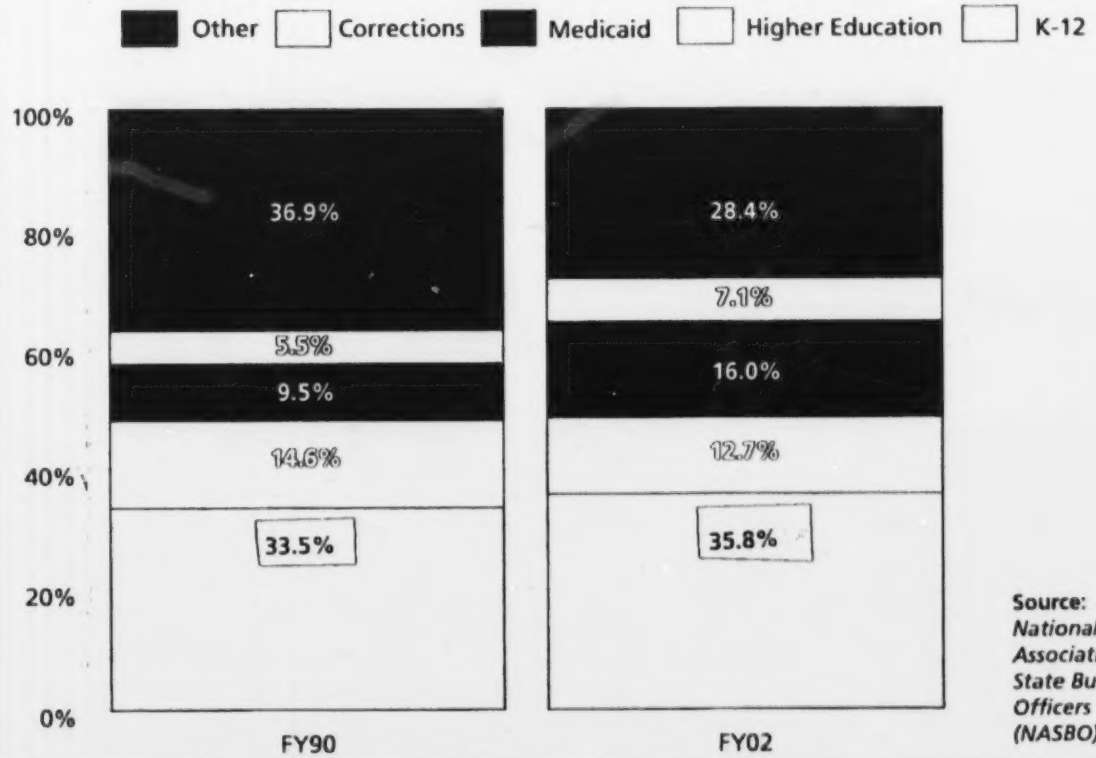
Structural Challenges for State Revenue Systems

Most state and local tax systems, developed at a time when the economy was far more dependent on goods production than on information or service production, are now struggling to provide adequate funding for current service commitments. The latest analysis to highlight this point comes from Governing Magazine, which gave only 13 states above average ratings for adequacy of revenue in its comprehensive assessment of state revenue structures and noted that "Truth is, many states' current maladies are rooted in long-diseased tax systems."[11] For higher education, a failure to modernize state revenue structures will leave campuses fiscally vulnerable well beyond the current slump.

Additionally, the Rockfeller Institute of Government at the State University of New York-Albany released an analysis in late 2002 that predicts a structural imbalance between revenue collections and spending demands in 44 states by 2010, even with the assumption of an economic rebound.[12]

Figure 10

Share of State General Fund Spending, FY90 and FY02



Source: *National Association of State Budget Officers (NASBO).*

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Changes in State Spending Priorities

For more than a decade, state general fund priorities have shifted toward K-12 education, Medicaid, and corrections, and away from public assistance and higher education. By FY02, K-12 education, Medicaid, and corrections consumed nearly 60 percent of general fund spending, a significant increase over FY92 levels.[12] [See Figure 10]

Higher Education Responses

Campus and system leaders, looking at past trends, the present situation, and future prospects for state support, are increasingly advocating for less regulation and more autonomy as much as they are for increased funding. At the same time, bold experiments in higher education finance (e.g. student-based vouchers rather than formula-based appropriations) may be inching closer to reality. While changes in governance, management, and finance offer the promise of unleashing entrepreneurship and garnering sorely needed resources, they may also prompt reconsideration of a fundamental policy question: to whom are public colleges and universities accountable and for what?

In January, the Colorado Governor's Blue Ribbon Panel on Higher Education for the 21st Century issued its final report and policy recommendations, which included a proposal for changing the state's institution-based higher education funding system to a student-based system. Under the new system, undergraduate students would be allotted $133 per credit hour (to a maximum of 140 credit hours), while master's level graduate students would be funded at $267 per credit hour (to a maximum of 60 credit hours). Additionally, role and mission funds would be provided for institutions with doctoral and specialized programs. The Legislature is now considering the proposal.[13]

Another measure before the 2003 Legislature (House Bill 1093) would eliminate the Board of Trustees for the State Colleges in Colorado and establish separate governing boards for Mesa State College, Adams State College, and Western State College.

Lawmakers in Hawaii considered but ultimately deferred a bill in 2003 legislative session that would have proposed a constitutional amendment to grant the University of Hawaii constitutional autonomy, thus removing it from the state's executive branch.

In his FY04 budget plan, Massachusetts Gov. Romney proposed a massive overhaul of the state's higher education system. The proposal would: (a) make the University of Massachusetts-Amherst an independent institution, receiving a base state appropriation but deregulating its tuition-setting; (b) eliminate the University of Massachusetts president's office, making the chancellor of each campus in that system a president; (c) privatize the state's "niche" institutions (University of Massachusetts Medical School, Massachusetts College of Art, Massachusetts Maritime Academy); (d) consolidate six two-year and four-year institutions into three colleges; (e) establish

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regional councils to help coordinate education policy in each of seven regions; and (f) create an Executive Office of Education to oversee K-20 education policy.[14]

The Oregon University System has offered a plan referred to as "The Deal," in which the state's colleges and universities are guaranteed a minimum level of funding and are released from certain state limits and regulations in exchange for limited tuition increases, expanded enrollment capacity, and increased university outreach and public service.[15]

Officials at the University of Virginia, Virginia Tech, and the College of William and Mary have approached legislative leaders with proposals for greater autonomy from state regulations, given that the state share of the institutions' budgets now stands below 10 percent in some cases.[16]

University of Wisconsin System officials have floated the idea of releasing the system from direct state control, following a model employed for the university's hospital and clinics. Gov. Doyle immediately rejected the idea, but system officials say that the concept may be considered at some point in the future.[17]

Age-Old Commitments in a Brave New World

If history is any guide, it is safe to say that state colleges and universities will not emerge from the current fiscal crisis as the same institutions that entered this downturn. Indeed, it would be difficult to find a campus that has not faced significant change in the face of the most recent recession and its aftermath.

The more interesting question, however, is exactly how higher education changes in response to environmental challenges such as those now facing public colleges and universities. If, for example, the wave of the future is for campuses to become more quasi-public and entrepreneurial, what does that mean for core commitments such as providing college access for disadvantaged populations? If students and the private sector are allowed to become more dominant financial stakeholders in the public higher education enterprise, what does that mean for an institutional sense of commitment to community, regional, or state priorities? In other words, how much traction can the concept of public purpose have at institutions that are increasingly less public?

Historical trends and recent developments suggest that a "brave new world" of higher education governance and finance is in the making. The questions above are offered as a test of how ready states and their colleges and universities are for that world.

Endnotes

[1] U.S. Department of Commerce, Bureau of Economic Analysis. "Gross Domestic Product: Fourth Quarter 2002 (preliminary)." Release BEA 03-05, 28 February 2003.

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[5] National Conference of State Legislatures (NCSL), "FY03 Budget Update," posted 3 February 2003.

[6] Ibid.

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[12] Dennis Jones, "State Shortfalls Projected Throughout the Decade," National Center for Public Policy and Higher Education Policy Alert, February 2003.

[13] National Association of State Budget Officers (NASBO). 2001 State Expenditure Report. Washington, D.C.: Author, Summer 2002; NASBO. 2000 State Expenditure Report. Washington, D.C.: Author, Summer 2001.

[14] Colorado Commission on Higher Education. Governor's Blue Ribbon Panel on Higher Education for the 21st Century Final Report, released 10 January 2003.

[15] "Romney Unveils $22.858 Billion Fiscal Year 2004 Spending Plan," News Release, Commonwealth of Massachusetts Executive Department, 26 February 2003.

[16] Oregon University System, "Planning Framework Developed by Strategic Planning Work Group," released 18 October 2002.

[17] "Three Universities Hope to Cut Some State Ties," The Richmond Times Dispatch, 15 January 2003.

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